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personal.

Honorable John Tunney
United States Senate
Washington, D.C. 20510

Dear Senator Tunney,

At the time that you had introduced your amendment to the tax bill to increase the deductions for child care for working mothers, I had intended to write you in the vein that I do now. I do not know that there was any possibility of getting more conclusive action on your proposal but I hope you keep this high on your agenda for some of the following considerations.

Before I go on at very great length on the implications of such measures, I wonder if you had not already received and responded to other documentation on this change. Were there any hearings on your measure? Have you received advice from other economists along these lines? It is quite possible that in their thinking and yours many of the considerations in my own mind were long since anticipated. But I will state these briefly.

The most obvious merit to such a bill is its bearing on the liberation of women and their fair treatment in the pursuit of productive careers. This is so obvious it hardly needs to be belabored. In my own family's experience my wife's economic incentive to practice her profession (medicine) albeit part time is essentially zero, since her net income after taxes is in fact not quite enough to meet the costs of child care that must be met from that post-tax income. This will not deter her from continuing these efforts but it is certainly a significant dampener. And I am sure you are well aware of a repetition of this scenario many thousands of times.

Perhaps even a more important consequence of your measure is what I regard to be an urgent social imperative - that is the upgrading of the income and of the reputability of personal services. There are many, many people who are at a serious competitive disadvantage in the labor market in an increasingly technological and specialized industrial society. Is it better that these people live in poverty and on welfare, or that alternative modes of employment - in the general arena of personal services like child care, domestic services of various kinds, gardening and the like - be made more attractive and more remunerative? It seems anomalous that middle class people face a very, very heavy tax burden, a significant percentage of which is devoted to welfare for the sustenance of people who are unable to find work, and at the same time are thereby rendered less able to find productive

over

employment for people in their own homes and ancillary activities. Everything suffers as a consequence - the national productivity, the morale of the unskilled and domestic workers, the personal capability for advancement especially of women in middle class families. Rather than continue to support and indeed expand this routing of funds through tax collection and redistribution as welfare or as charity, I would propose a drastic reconsideration of the fundamental premises behind the taxation of personal employment.

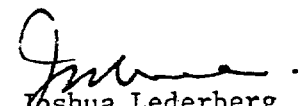
Briefly my proposal would be an extension of your own amendment - and I would have been content to see that tried out as an experiment along these lines - namely to designate certain categories of personal employment as being tax-deductible to the employer. Connected with that, in order to be sure that there is a corresponding transfer of benefit to the employees, I would have suggested that there be a substantial increase in the minimum wage for domestic employment or that this be at least one of the standards for tax deductability. I am really not as interested in securing substantially greater benefits for the middle class as I am in resolving the anomaly that I mentioned earlier.

I do not think I need to enlarge on the general social importance of finding productive employment for a large category of people who are otherwise frozen out of the job market or who are put into the condition of having to be satisfied with starvation wages if they want to continue to work. And, of course, we have the grotesque anomalies where many people can profit more by not working, and collecting welfare, because of the well known absurdities of existing welfare regulations in this regard.

Some of the side-effects of this situation are also rather ugly. There is widespread, one dare say almost universal, evasion of tax reporting in these occupations, which tends to criminalize a certain sector of society. (One of the categories of the so-called welfare cheats - by no means the ugliest one). Equally important the relationships between employers and employees are contaminated by the downward pressure on domestic wages that the present tax system compels. This is then an arena where there are substantial stresses as between different income classes and I certainly do not think this is healthy for our society or for our nation.

I am sending a copy of this letter to some of my economist friends here at Stanford in hopes of eliciting a more carefully thought out program along these lines. Meanwhile I would be most grateful to you for an expression of the level of interest that you have in further developments and also for any of the documentation or hearings that may be available, as I indicated in the opening of this letter.

Yours, as ever, cordially


Joshua Lederberg
Professor of Genetics

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